

# Voluntary Separation Incentive Pay (VSIP)

## Frequently Asked Questions

### 1. What is VSIP?

Voluntary Separation Incentive Pay (VSIP), which is commonly referred to as a “buyout,” is a payment of up to \$25,000 to encourage eligible employees to separate from service voluntarily (either by retirement or resignation) to avoid or minimize the need for involuntary separations due to reduction in force (RIF), base closure, reorganization, transfer of function, or workforce restructuring. The buyout payment is equivalent to an employee’s severance pay entitlement up to a maximum of \$25,000 (before taxes). Buyouts are used at management’s discretion and are not an employee entitlement.

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### 2. How is the VSIP payment calculated?

VSIP is calculated using the severance pay formula in title 5, United States Code (U.S.C.), Section 5595(c). Using this formula, any severance pay previously received must be deducted from the employee’s lifetime entitlement. The final VSIP amount is equal to \$25,000 or the amount of severance pay the employee would be entitled to using this formula, whichever is less. [Back to top](#)

### 3. Since the VSIP payment is computed using the severance pay formula, are employees eligible for buyouts if they are otherwise ineligible for severance pay?

Yes, provided they meet the basic eligibility requirements outlined in question 5, below. The payment would be determined using the amount of severance pay the employee would have received if he/she had been entitled to severance pay.

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### 4. Who can approve a buyout?

5 U.S.C. 9902(i) provides authority for the Secretary of Defense to establish a permanent downsizing and restructuring VSIP and Voluntary Early Retirement Authority (VERA) program. This authority was redelegated to the Heads of the DoD Components for positions up to the GS-15 level (and equivalent) and authorizes further delegation to the lowest practicable level, but not lower than the local installation commander or activity head. [Back to top](#)

### 5. What are the basic eligibility requirements for VSIP?

An employee must be a U.S. citizen, employed in an appointment without time limitation, and must have been employed by the Department for a continuous period of at least 12 months. An employee is ineligible for a buyout if he or she:

- Is a reemployed annuitant;
- Is or would be eligible for disability retirement under any Federal employee retirement system;
- Is on a Schedule C excepted appointment;
- Is a non-compensated employee;
- Has accepted a position with another Federal agency;
- Has received a specific notice of RIF separation;
- Has declined to relocate with his/her position or declined a transfer of function;
- Has received a decision notice of involuntary separation for misconduct or unacceptable performance; or
- Has previously received a buyout. [Back to top](#)

**6. If an employee meets the basic eligibility requirements, are there any other restrictions that would prevent offering VSIP?**

Yes. Absent a waiver, an employee is ineligible for a buyout if he or she:

- Is covered by a written service agreement resulting from Permanent Change of Station (PCS) or training, or is in receipt of a recruitment or relocation bonus;
- Is receiving a retention allowance;
- Is occupying a position defined as "hard to fill;" Or
- Is occupying a position for which special salary rates are approved.

Waivers may be granted on a case-by-case basis by the installation commander or activity head (or in the case of special salary rates, the appropriate DoD Component Assistant Secretary, or equivalent), when that official determines the offer of the buyout is in the best interest of the offering installation. For Defense Agencies and DoD Field Activities, waiver authority for special salary rate positions is the Head of the Defense Agency or DoD Field Activity. [Back to top](#)

**7. Are Senior Executive Service (SES) members and equivalent employees eligible for VSIP?**

SES members and equivalent employees (e.g. Senior Level (SL), Scientific and Technical (ST), Defense Intelligence Senior Executive Service (DISES), Defense Intelligence Senior Level (DISL)), those in payband positions above the GS-15 level, and Nonappropriated fund (NAF) executives in payband NF-6 are not eligible for buyouts, unless the Principal Deputy Under Secretary of Defense (Personnel and Readiness) (PDUSD(P&R)) approves the voluntary separation incentive to avoid RIF action or to restructure the workforce. Approval requests concerning DISES and DISL employees must be coordinated with the Under Secretary of Defense for Intelligence (USD(I)) before being submitted for PDUSD(P&R) approval. [Back to top](#)

**8. Are there any restrictions on employees returning to work for the Federal Government after they separate with VSIP?**

Yes. When accepting a buyout, the following restrictions on reemployment within the Federal Government apply:

- Any individual receiving a buyout, who accepts employment with the Government of the United States (including employment in NAF instrumentalities or with an agency of the United States through a personal services contract) within 5 years after the date of separation on which payment of the buyout is based, shall be required to repay the entire amount of the buyout (before taxes) to the Department of Defense.
- A DoD employee, who receives a buyout, may not be reemployed by the Department (including NAF employment or through a personal services contract) for a 12-month period beginning on the effective date of the employee's separation.
- A DoD employee approved for payment of a buyout is prohibited from registering in the DoD Priority Placement Program. [Back to top](#)

**9. With reference to the re-employment restriction, what is a personal services contract?**

According to the Federal Acquisition Regulation (FAR), Subpart 37.104(a), a personal services contract is "characterized by the employer-employee relationship it creates between the Government and the contractor's personnel." As specified in Subpart 37-104(b), agencies shall not award personal services contracts unless specifically authorized by statute (e.g., 5 U.S.C. 3109). The key question which must be asked in making a determination as to whether or not a contract is for personal services is: "Will the Government exercise relatively continuous supervision and control over the contractor personnel performing the contract?" It is critical to note that each contract arrangement must be judged in the light of its own facts and circumstances (FAR, Subpart 37.104(C)(2)). Agencies should seek further guidance from their General Counsel's office when considering whether a former Federal employee who has taken a buyout is engaged in an arrangement, which constitutes a personal services contract. The following descriptive elements should be used as a guide in assessing whether or not a proposed contract is personal in nature:

- Performance is on site.
- Principal tools and equipment are furnished by the Government.
- Services are applied directly to the integral effort of agencies or an organizational subpart in furtherance of the assigned function or mission.
- Comparable services, meeting comparable needs, are performed in the same or similar agencies using civil service personnel.
- The need for the type of service provided can reasonably be expected to last beyond 1 year.
- The inherent nature of the service, or the manner in which it is provided, reasonably requires direct or indirect, Government direction or supervision of contractor employees in order to:
  - Adequately protect the Government's interest;
  - Retain control of the function involved; or
  - Retain full personal responsibility for the function supported in a duly authorized Federal officer or employee.

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**10. Are there any waiver provisions for the above buyout repayment requirement and 1-year bar on DoD employment?**

Yes. The Secretary of Defense may approve exceptions on a case-by-case basis to the 1-year bar on DoD employment. When the reemployment is within the Department, the Secretary of Defense may approve waivers to the repayment provision when the individual for whom the waiver is being sought is the only qualified applicant for the position. All waiver requests should be submitted through the Secretaries of the Military Departments or, for the Fourth Estate, the Office of Secretary of Defense, Director of Administration and Management.

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**11. Will a reemployed VSIP recipient be required to repay the entire amount of the buyout prior to his or her first day on the job? If not, what repayment options are available?**

There is no requirement to repay the entire amount of the buyout prior to the date of reemployment. In DoD, buyout repayment is considered the same as any other debt to the Government and may be repaid by allotment. According to the DoD Financial Management Regulation, Volume 8, paragraph B.2.b.(2), Installment payments will be at least \$25 per pay period and will be sufficient to liquidate the debt within 3 years.

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**12.If an employee previously received severance pay, is the VSIP amount reduced?**

Yes. VSIP is calculated using the severance pay formula in 5 U.S.C. 5595(c), which includes a reduction for severance pay previously received. If the employee has already received the lifetime limit of 52 weeks of basic pay, he or she would not be eligible for VSIP. [Back to top](#)

**13.Why is an employee who has received a specific RIF separation notice ineligible for a buyout?**

Workforce downsizing buyouts are used to avoid the need for involuntary separations or are offered to encourage eligible employees to separate from service voluntarily. Consequently, employees already identified for involuntary separation are not eligible. [Back to top](#)

**14.Is VSIP paid in a lump sum or do employees have other payment options?**

In addition to lump sum payment, two installment options are available. The first option is bi-weekly payments in equal amounts. The employee selects the amount, but the payments must be completed within 1 year of the date of separation. Under the second installment option, one half of the buyout is paid 6 months after separation and the remaining half is paid 6 months later. [Back to top](#)

**15.When an activity is undergoing a reduction in force (RIF), is it required to offer VSIP?**

No. Downsizing activities may offer VSIP to reduce the number of involuntary separations, but there is no requirement to do so. If an activity decides to offer buyouts, the VSIP application window must be opened for a minimum of 30 days before issuing the RIF notices. [Back to top](#)

**16.What happens if the number of employees applying for VSIP exceeds the number of available buyouts?**

When the number of applicants exceeds the number of available buyouts, applications within the targeted group are processed in order of seniority based on the employees' leave service computation date (LVSCD). [Back to top](#)

**17.If an employee has been offered a buyout with a delayed separation date, and then dies before the date of separation, is his/her estate entitled to the buyout?**

No. Death is not considered a form of voluntary separation for VSIP purposes. The employee must separate either by retirement or resignation. [Back to top](#)

**18.What happens if the employee separates and begins receiving the buyout in installments but dies before the full amount has been paid?**

The balance of the buyout would be distributed in accordance with the government's beneficiary order of preference as outlined in 5 U.S.C. 5582 and Volume 8, Chapter 7, par. 070501 of the DoD Financial Management Regulation. [Back to top](#)

**19.What happens if an employee is approved for VSIP, but is called to active military duty before being separated?**

Employees may separate by retirement or resignation with a buyout while serving on active duty in LWOP-US status. They would still have restoration rights under the Uniformed Services Employment and Reemployment Rights Act (USERRA), but if reemployed would be required to repay the buyout in accordance with 5 U.S.C. 9902(i). [Back to top](#)

**20.Does the VSIP repayment requirement apply to individuals who are reemployed under one of the Office of Personnel Management (OPM) 9/11 special hiring authorities?**

No. OPM has granted a blanket repayment waiver for DoD agencies to temporarily rehire former employees to perform critical work in direct support of recovery from the terrorist attacks on the World Trade Center and the Pentagon. This authority is in effect for the duration of the national state of emergency. [Back to top](#)

**21.What is VSIP Phase II?**

VSIP Phase II, which is often referred to as Expanded VSIP, is a program through which buyouts may be offered at activities that are not downsizing or restructuring. The purpose of VSIP Phase II buyouts is to create job vacancies for employees who are being separated by RIF from other activities. [Back to top](#)

**22.How does VSIP Phase II work?**

Let's assume that Activity A is conducting a RIF and a number of employees, who received separation notices, are registered in the Priority Placement Program (PPP). Activity B, which is not downsizing, surveys its workforce to identify employees willing to retire or resign with buyouts in order to create vacancies for the surplus Activity A employees. An employee at Activity B responds to the survey and indicates he/she is interested in voluntarily separating with VSIP. Activity B then submits a PPP requisition for the position and one of the Activity A employees is referred. The Activity B employee is now given the opportunity to formally apply for VSIP. If the employee submits an application and the PPP registrant is determined to be well qualified, a job offer is made. If the PPP registrant accepts the offer, the transaction is consummated and the Activity B employee separates with a buyout. The cost of the buyout is funded by Activity A. [Back to top](#)

**23.How do I apply for a buyout under VSIP Phase II?**

Individual DoD activities are responsible for determining when it is appropriate to survey the workforce for interest in VSIP Phase II. Employees cannot apply unless applications are solicited by the activity. [Back to top](#)

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